

# Supply chain management case study: turkish airline

[Environment](#), [Air](#)



At present, many companies are usually seeing their profits and income slip through their fingers as result of the of process gaps existing in various departments. As clienteles, staffs, partners or dealers move through a company's business processes, new "publically conscious" tools can inhibit them from getting stuck in multifaceted processes. Therefore, there is a need for synchronizing and integrating various processes which include; operation process, market process, production and procurement process. If not, a lack of synchronization and integration of various business processes can deny many of the vital benefits resulting from employing commercial process management and business instructions management or any other solutions that guarantee operational competence and efficiency.

Before looking at how Turkish airline can Synchronize and integrate operation process, market process, production and procurement process, there is a need for defining what is meant by each of the processes;

- Marketing process - This is the marketing model that any company must find a way to realizeunsatisfiedconsumer needs and bring to market goods and services that fulfill those desires. The procedure of doing so can be exhibited in a series of steps that ensure unsatisfied consumers fulfill their desires.
- Operational processes - These are the processes that ensure consistenttactic to all activities accomplished. There is no anycompany that can afford several ways to undertake activities, nor can it afford extraopenings to encouragedisaster from lack of documented and well-definedoperational process.

- Production process - Production process is focused with transmuting a variety of inputs into yields that are essential to the market. All production process encompasses a sequence of networks in a production chain. In every stage, value is added during production process.
- Procurement process - This is a process that a firm in acquiring goods and services from peripheral dealers.

Having looked at the meaning of operation process, market process, production and procurement process, it is very clear that all these processes are very vital in the operation of any organization. Therefore, Turkish airline can Synchronize and integrate these processes in the following ways:

In order for Turkish airline to Synchronize and integrate these processes at the correct time at the right place at the right quintets, so they can shrink the cost and upsurge customer services fulfillment simultaneously, they need to do matching. Matching is the process of collecting and relating all the similar activities in the organization.

Through matching process, Turkish airline will be able to synchronize and integrate all the company processes. This will be done by putting all the related activities in every process then relate them. This will ensure employing a certain group of workers to work in those clustered processes from different departments (processes) in the company. This will help Turkish airline save a lot of money due to the reduction in the number of employees. This is because; one employee can work in different department within the same airline.

Apart from synchronizing Market, operation, production and procurement processes, integration process would be very important integration in order to reduce operation cost and increase customer satisfaction. Integration, in Turkish airline, can be done by investigating affiliations across a corporate compendium in order to form taxonomies and unify processes into a standardized system. To do this, it will include both merging and matching methods. Through integration, processes within the airline which are closely related will be unified thus forming one standardized system. This will help in saving time in saving customers, lower operation cost due to reduction in the number of employees and also be able to increase customers' satisfaction due to the existence of a standardized system of operation.

## **Outsource the Catering**

Since Turkish airline is a very big airline, it must outsource some services like catering because this is the service that requires a lot of working strategies. Turkish airline should therefore identify large company of caterers who have their in-house experts for nearly everything that is required to done in catering department in Turkish airline. It would be a way forward for Turkish airline to hire outside experts for special catering services that are required in order to cater for various kinds of the customers travelling in Turkish airline.

By employing this catering company, the Turkish airline should divide the kind of miles to be offered to the travellers travelling in Turkish airline. This will ensure that customer only chose their preferred meal from the available set of food items and drinks available for every type of schedule. This will

ensure that there is catering services for breakfast, lunch and dinner which will depend on the schedule of the airline.

In doing this, Turkish airline will be able to save a lot of money by ensuring only food items prepared are suitable a certain type of travel schedule. It will also avoid inconvenience of the customers ordering something which is not available.

Also, this will increase customer satisfactions since customers will be choosing items available in the menu for a certain schedule of the airline. This will help market Turkish airline since customers will be satisfied by the services being offered by the Turkish airline. This will therefore increase the number of returning customers and also help Turkish airline attract other new customers through the good thing being said by the old customers of Turkish airline.

## **Supply Chain Management**

Supply chain management means the oversight of information, finances and materials as they shift in a procedure from the supplier to the manufacturer to the wholesaler to the retailer and to consumers. Supply chain management engrosses integrating and coordinating the flows both among and within companies. It is believed that, the final goal of all efficient supply chain management systems is to lower inventory, with the presumption that, all products are readily available when they are needed. Supply chain management surge can be subdivided into three key flows:

- The information flow

- The product flow
- The finances flow

Products flow involves the faction of goods from the supplier to the customer, and all customer's returns or service necessities. The data flow involves conveying orders as well as updating the delivery status. The financial flows consist of payment schedules, title and consignment ownership and credit terms provisions.

There exist two key types of supply chain management software: execution applications and planning applications. Planning applications make use of advanced algorithms to examine the most appropriate means to fill orders. Execution applications pursue the physical characteristics of goods, materials management, and the financial information engrossing entire parties.

Some supply chain management applications are focused on open information models, which support the distribution of information both outside and inside the enterprise. This is known as the comprehensive enterprise, and may include main suppliers, end customers and manufacturers of a particular company. This shared information might reside in varied data warehouses or database systems at several different companies and sites.

By giving out the data "upstream" with the company's suppliers and the "downstream" with the company's clients, supply chain management applications have the capability to upgrade the market-to-time products,

allow all parties and reduce costs in the supply chain management to better manage the current resources as well as plan for future necessities.

## **Supply Chain**

In early 2008 AMR Research (2008b) reported that, firms in the Supply Chain Top 25 reported an average total stock market return for 2007 of 17.89%, while the Dow Jones Industrial Average (DJIA) had average returns of 6.43% and the S&P 500 index had average returns of 3.53% during the same period (Hauser 2010, 446-462). At the time the Supply Chain Top 25 included firms in the computer, electronics, automotive, retail, beverage, health care, apparel, and pharmaceutical industries, indicating a widespread recognition of the value of effective supply chain practices. Later in 2008, when the stock markets were down substantially, the Supply Chain Top 25 was down significantly less than the DJIA and S&P 500 indices (Hambrick 2009, 193-206).

But it is not all good news for firms participating in supply chains. The downside of ineffective supply chain practices can have a substantial negative effect on firm performance as well. In a study of supply chain glitches, Holbrook (2007) found that when publically traded firms experienced supply chain disruptions, the average abnormal financial returns to firms over the subsequent two year period was close to -40%, and the equity risk of the firms increased at the same time. But supply chain problems are not limited to supply disruptions. Being introduced the design for the new 787 Dreamliner several years ago, but has had numerous production problems with supply availability, collaborative design and

development challenges, and problems developing new materials for production (Holbrook 2007, 21-71).

In a different industry, Ericsson experienced a supplier problem when a small fire eliminated supply of a critical cell phone chip, and the firm never recovered (Hauser 2010, 446-462). There are many examples of how firms have suffered from ineffective management of supply chains, but regardless of the specific causes firms recognize that mere participation in competitive supply chains does not mean the firm will gain potential benefits. These issues present a conundrum: why do some firms gain significant advantage for supply chains, while others do not and may even underperform relative to their competition? Why is this important? Because planning and implementing effective supply chain practices requires managers to make decisions today that affect how well firms will perform in the future, and the costs of poor decisions today have dramatic effects on future firm performance (Harland 2003, 51-62).

## **Supply chain analysis**

Why do some firms achieve success with their supply chain practices while others underperform to their potential? One potential answer to this puzzle lies in understanding the difference between the breadth of an overall supply chain versus the effective span of control or influence that a firm has on its particular supply chain, and how the span of influence can be used to competitive advantage. For example, Toyota and Wal-Mart have worked to extend their span of control in supply chains beyond their immediate suppliers while working to implement strategic information systems that

provide increased visibility of information in their supply chains to help improve flow of product, reduce inventories, and reduce overall supply chain costs (Hambrick 2009, 193-206).

This increased visibility also provides early warning of problems that may be developing in the supply chain, providing additional reaction time that may mean the difference between a supply disruption and effective performance. The value of increased visibility has strategic benefits to firms. Some firms, particularly large firms that have the power of high purchase volumes to induce suppliers to participate in supply chain initiatives may do very well in return. But there are limits on span of control in multi-firm relationships and many firms do not achieve the ability to increase their span of control and leverage in supply chains (Habib 2007, 589-606).

If a firm has a low-cost strategy, then the firm should optimize and coordinate the supply chain by having frequent and timely deliveries from suppliers to reduce the required level of inventory and achieve low cost. There are two types of generic strategies to achieve a competitive advantage: low-cost and differentiation strategies. A low-cost strategy enables a firm to design and produce a product more efficiently than its competitors. A differentiation strategy allows a firm to offer a variety of products to the customer with reliability and responsive services (Gutman 2002, 60-72). Functional products which are considered to have stable and predictable demand require an efficient process (efficient chains) to supply that product. On the other hand, innovative products which are considered to have unpredictable demand require a responsive supply chain. This match

between product type and supply chain strategy will result in a better profit margin for the organization. An efficient supply chain strategy aims at cutting cost and eliminating non-value activities (Gordon 2007, 396-415).

A responsive supply chain strategy tends to focus on being flexible and responsive to changes in customer's demand. An agile supply chain strategy combines both risk-hedging and responsive supply chain strategies. In other words, it aims at being flexible and responsive to customers while pooling and sharing resources among suppliers (Glazer 2006, 1-19).

## **Effective Supply Chain Span of Control**

What happens when a firm's effective span of control in a supply chain is less than the span of the total supply chain? If the firm cannot see problems that occur beyond its supply chain span of control, the unforeseen problems can affect business continuity and supply chain performance with no prior warning. The Ericsson example above, where the customer was not aware of the extensive contamination of the chip production plant that resulted in months of delays, is but one example. And increased visibility is not a panacea. In 2003, When Apple was planning to launch its G5 computer using chips from IBM, the launch was delayed by a multi-state power outage because Apple was using a single source strategy in its supply chain for the CPU processor chip (Ghoshal 2007, 425-440).

These issues of visibility, control, and coordination all fall under the realm of SCD. They require investments in developing specific capabilities that substitute for the internal control that would be available through vertical

integration (Ganesan 2007, 1-19). This observation suggests that superior SCD provides another potential answer to the puzzle of why some firms perform better than others through the use of effective supply chain strategies. This leads to a discussion of SCD (Galunic 2010, 215-255).

## **Capabilities**

As previously noted, when firms develop specific capabilities in supply chains these capabilities influence how the supply chain performs. Thus, once a capability is implemented it changes the behavior of the system. When the underlying behavior of an organizational system is systematically influenced, it is said to have properties that are identified with that behavior (Christopher 2007, 1-10). For example, firms develop capabilities to improve responsiveness in uncertain environments, and once successfully implemented these firms are said to have agility. Agility is one of many properties that have been identified in supply chains, as noted below. To build on this introduction to properties the discussion turns to defining the term properties and then examples of properties are provided within a supply chain context (Child 2005, 1-22).

## **Supply Chain Relationship Structure Costs and benefits**

In choosing an SCRS, for every benefit there is a corresponding cost. With a modular SCRS, the expected increase in flexibility and responsiveness comes at the cost of more relationships to manage, more suppliers to qualify, more inter-firm interface standards to define/gain acceptance, and a spread of purchase volume commitments to more than one company, resulting in lower purchase volume leverage. For a firm employing a modular SCRS, the

benefits of lower switching costs and responsiveness are traded-off by lower visibility to identify potential problems and the loss of lower total system costs that are available through more extensive coordination and communication practices (Holbrook 2007, 21-71).

For an integrated SCRS, the advantages of higher visibility, improved coordination, lower inventories, and lower system cost come at the expense of investments in more integrated information systems, more human capital to maintain closer relationships, and lower flexibility and higher switching costs during dynamic competitive environments. When relationships are switched in an integrated SCRS, the new relationships and integrated processes have to be integrated over time, increasing investments in new suppliers and increasing human capital to aid in the transition. In addition, if a firm over-invests in a relationship, it negates some of the performance benefits, particularly financial performance (Harland 2003, 51-62).

If a firm under-invests, it loses some of the potential benefits. Thus there are trade-offs that firms must consider between increased coordination and investment, and between control versus flexibility during environmental change. These SCRS-related costs and benefits need to be placed in the context of a firm's desired strategic outcome.